

Update of the Policy Framework for Investment

Draft chapter:
Human resources development



Context

Since the PFI was developed in 2006, new forces have reshaped the global investment landscape, including the global economic and financial crisis, which started in 2008 and from which many economies have still not recovered, and the emergence of new major outward investors within the G20, the spread of global value chains. Numerous lessons have also been learnt through the use of the PFI, particularly in developing and emerging economies. To reflect new global economic fundamentals, an update of the PFI was launched in 2013 and is due for completion in 2015.

Invitation to contribute

Experts, business and civil society representatives, international organisations, and the general public are invited to contribute comments on this draft chapter. Comments should be sent to investment@oecd.org by 31 December 2014.

A compilation of comments received will be published online at the end of the consultation period.

Contact

If you have any questions regarding the consultation, please email investment@oecd.org.

Find out more about the update of the PFI: www.oecd.org/investment/pfi-update.htm

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HUMAN RESOURCES DEVELOPMENT

1. The global financial crisis has increased the pressure on public funds and resources - governments find themselves having to do more with less. In the meantime, with companies constantly restructuring their global supply chains, competitively skilled and flexible human resources are at the centre of a country's competitiveness to attract investment and sustain economic growth. Human resources development (HRD) thus features prominently among the various policies affecting a country's investment and enabling environment.
2. HRD policies concern the quality of the labour force and the regulation of the labour market. Well-designed labour policies can help reduce inequality and spur economic growth by creating more and better jobs for all, investing in people's skills, and enhancing access to and the quality of education, training and overall public services. Effective HRD policies cannot be shaped in isolation, and should be a part of a coherent and comprehensive framework in line with the country's development and investment strategies.
3. Even more important than these individual HRD policies is the interaction among them. Attempts to boost workforce skills through vocational training without considering their interaction with basic educational attainment or flanking labour market policies are likely to be ineffective. Human resource development requires a comprehensive strategy that takes full account of the linkages between, for example, improved population health on educational attainment and, depending on employment policies, on labour productivity.
4. The quality and adaptability of the labour force are key drivers in creating a favourable environment for both domestic and foreign enterprises to grow through new investment and to adapt quickly to changing circumstances. Quality is largely determined by basic and higher education, training programmes and the overall health of the population. Adaptability refers to the capacity of the labour force to adjust to new challenges, including upgrading in global value chains (GVCs), as is highlighted in the chapters on trade policy and investment promotion and facilitation.
5. In a global economy that is becoming increasingly dependent on skills, countries with lower skill levels risk losing in competitiveness. Broad access to quality primary education is a core requirement in developing a skilled workforce, and provides foundations for future learning, while secondary and tertiary education help reap the full benefits of investment by increasing local value-addition. Public health and access to healthcare also impact human resources and the attractiveness of the business environment, as good health improves worker productivity. Also, effective strategies to attract workers with different sets of skills can address skill needs, facilitate knowledge transfer, and promote competitiveness while mitigating potential negative impact on the domestic labour force.
6. To complement formal education, business-specific training programmes are needed to supply new recruits with the firm-specific knowledge required to unlock an employee's full productive potential. Training programmes can increase productivity and the spill-overs from MNEs to local firms with higher absorptive capacity for new knowledge and technology – an aspect that is further explained in the chapter on investment promotion and facilitation. With all forms of education and training, policy action can help

ensure that programs are of good quality, accessible, adapted to meet business needs and regularly reviewed.

7. Labour standards are essential to ensuring the contribution of business to local social and economic development. Core labour standards are fundamental principles that protect basic human rights in the workforce, and can enhance inclusive private sector-led growth. Agreed by the international community and inscribed in eight International Labour Organisation conventions, they are applicable to all countries. As stated in the ILO Declaration on Fundamental Principles and Rights at Work (1998) the core labour standards aim to: (1) eliminate all forms of forced or compulsory labour; (2) effectively abolish child labour; (3) eliminate discrimination in respect of employment and occupation; and (4) ensure the freedom of association and the right to collective bargaining. In addition to the workers themselves, enforcement of these standards benefits the whole economy, by creating of a level playing field for foreign and domestic investors and improving economic performance. The elements addressed in this chapter complement the discussion of the chapter on policies to promote responsible business conduct.

8. Labour market regulation faces the challenge of balancing the social goals of employment protection, including the protection of core labour standards and other, such as occupational health and safety standards, minimum wage regulation, restrictions on hiring and firing, and legal guarantees of social insurance regimes; with the business interests of companies looking to keep their costs down. Overly burdensome labour market regulation can dissuade job creation and discourage investment, but also create incentives for employers and workers alike to shift to or remain in the informal economy, where workers are not protected by labour laws and lack access to work-related measures of social protection. The informal economy is estimated to comprise 20-80% of all non-agricultural employment in developing countries. Specific strategies are needed to address social protection for workers in the informal sectors, including those SMEs that are unable to afford private insurance against risk. In the formal economy, the cooperation and involvement of private enterprises in maintaining high standards and protecting workers is needed to achieve the best policy outcomes.

9. Beyond labour standards, an efficient labour market requires all those who are capable of contributing to the economic and social development of a country are in a position to do so. This means that discrimination, explicit or implicit, for example on the grounds of race, sex or age, must be prevented. This requires an appropriate legislative framework, but also effective implementation and enforcement of relevant educational, social and labour market conditions, and active monitoring of relevant outcomes. The OECD Gender Recommendation (2013) provides a framework for assessing the relevant legislative approach which needs to be followed.

10. As new technologies and shifting market structures are constantly changing the needs of businesses, the flexibility and adaptability of the overall HRD framework are fundamental to the competitiveness of economies. To guarantee this, policy makers need to co-operate closely with the main stakeholders, and undertake periodic assessments of the impact of policies on the business and investment environments. A general challenge of HRD policies is to encourage the engagement of individual companies to adhere to good HRD practices, to comply with labour standards, and to contribute effectively to the development of appropriate frameworks.

Key questions

- 1. Has the government established a coherent and comprehensive human resource development (HRD) policy framework consistent with its broader development and investment strategy and its implementation capacity?*
- 2. Is there an effective system for tackling discrimination that affects labour market outcomes?*
- 3. What steps has the government taken to increase participation in basic schooling and to improve the quality of instruction so as to leverage human resource assets to attract and to seize investment opportunities?*
- 4. Is the economic incentive sufficient to encourage individuals to invest in higher education and life-long learning, supporting improvements in the investment environment through a more qualified human resource base?*
- 5. To what extent does the government promote effective training programmes, including through involving the private sector?*
- 6. Does the government have an affordable, effective and efficient overall health system?*
- 7. What mechanisms are being put in place to promote and enforce core labour standards?*
- 8. To what extent do labour market regulations support job creation and the government's investment attraction strategy?*
- 9. How does the government assist large-scale labour adjustments? What role is business encouraged to play in easing the transition costs associated with labour adjustment?*
- 10. What steps are being taken to ensure that labour market regulations support an adaptable workforce and maintain the ability of enterprises to modify their operations and investment planning?*
- 11. To what extent does the government allow companies to recruit workers from abroad when they are unable to obtain the skills needed from the domestic labour market?*

SUPPLEMENTAL QUESTIONS

<p>Overall HRD framework for investment and development</p>	<ul style="list-style-type: none"> • How is the effectiveness and consistency of the HRD policy framework ensured vis-à-vis the overall investment and development strategy? • Is the HRD policy framework periodically reviewed to ensure that it is responsive to new economic developments? • How are the main stakeholders, including the private sector, identified and engaged in developing the HRD framework? • How does the government ensure access to basic education, a human right and a minimum necessary condition for development, for girls and boys? • What efforts are underway to strengthen formal education, which provides the foundations for further learning and safeguards the capacity to seize future investment opportunities? • How does policy combat gender discrimination in remuneration and career progression? What initiatives have been introduced to increase the present of women on boards, and senior and middle management positions? • What policies (such as childcare, child-related leave, and out-of-school hours care) are in place to support parents in work? • Are benefits and social support financed and distributed in such a way as to avoid discrimination between men and women or different social groups, intended or otherwise?
<p>Enhancing skills and entrepreneurship inclusively</p>	<ul style="list-style-type: none"> • How does the government measure and assess the skills level in the economy? • Does the current system of higher education provide the incentives for skilled workers to stay in the country, thus contributing to a more competitive and skilled labour force? • How does the government evaluate the returns from its higher education programmes for graduates? • What measures are taken to address and avoid the mismatch between supply and demand for labour in the economy? • How is investment of scarce resources in skills prioritised? Does the government consider ways of combining public and private resources to fund skills development, as well as designing effective incentives for individuals and employers? • How does the government channel the skills demand from industry into its skills enhancement strategy? (See chapter on investment promotion and facilitation) • Does the government have a well-functioning vocational and technical training system that provides the economy with the necessary skills? How does the government evaluate the effectiveness and the impact of its training measures and programmes, and review and adjust these accordingly? • How does the government strengthen the knowledge triangle between the government, institutions of higher education, and higher education stakeholders in its economy? (See chapter on investment promotion and facilitation) • Does the private sector contribute to the development of the curricula in the system?

	<ul style="list-style-type: none"> • What mechanisms are used to encourage businesses to offer training to employees and to play a larger role in co-financing training? • Are on-the-job training measures promoted, including through apprenticeships for the youth? • What policies are in place to foster entrepreneurship, including for the youth? • How does the government promote gender equality in accessing education and training? • What measures exist to enhancing the inclusiveness and gender equality in the access to the study of science, technology, engineering, mathematics (STEM), financial and entrepreneurship issues, as well as arts and the humanities?
Health and occupational safety	<ul style="list-style-type: none"> • Has the government established coherent procedures to evaluate public health expenditures aimed at improving public health outcomes and, through inter-linkages, the investment environment? • How does the government tackle chronic diseases and the unhealthy lifestyles associated with them? • What measures are in place to prevent and control the spreading of infectious diseases? • Is there an effective strategy to promote good mental health? • How does the government ensure that occupational health and safety system standards are upheld and implemented, including by small and medium-size enterprises? • What measures are in place to protect workers from adverse effects from chemicals, pesticides, biotechnology & nanomaterials?
Core labour standards	<ul style="list-style-type: none"> • Has the government signed and ratified the ILO conventions related to core labour standards? What measures are in place to ensure and promote the effective implementation of these conventions? • What measures has the government taken to: <ul style="list-style-type: none"> a. eliminate all forms of forced or compulsory labour and abolish child labour; b. uphold the principles of non-discrimination with respect to employment and occupation; c. ensure the freedom of association and the right to collective bargaining? • What action has the government taken to ensure public awareness of the laws and regulations to defend the core labour standards? • Does existing outreach communicate the necessary information in a manner that is clear and complete yet user-friendly, and which reaches its intended audience, i.e. workers, employers, potential local and foreign investors, and organisations representing each of these groups? • How are the actions of non-governmental actors, either in conjunction with or independent of the government, strengthened and promoted? • How does the government ensure nation-wide implementation of these standards, including in special economic and export processing zones and to cover foreign workers? <p>(See the chapter on policies for promoting responsible business conduct for more questions on international labour standards)</p>

<p>Labour market regulation for business</p>	<ul style="list-style-type: none"> • How does the government ensure an adequate employment protection framework, while allowing sufficient flexibility to enhance productivity and overall competitiveness in the economy? • What initiatives have been introduced that support policy coordination, balancing social objectives, the goal of a competitive workforce and the incentives for business to invest? • What measures exist to limit working hours? Does legislation impede flexible working time arrangements? • What restrictions exist on hiring and firing, such as the types of work contracts (fixed-term, open-ended, and part-time) and legal restrictions on firing? • What measures are in place to protect workers at the margin of the labour force, including in the informal sector and migrant workers, not covered by labour laws or social protection schemes? • Does policy have a discouraging effect on employment in the formal sector? Do taxes and social security contributions excessively penalise those in the formal sector relative to the informal? Do regulations discourage operating in the formal economy? • How does the legal framework in place contribute to fighting gender discrimination in the workplace? • What are the administrative and financial burdens associated with the employment of foreign workers?
<p>Supporting labour adjustments</p>	<ul style="list-style-type: none"> • What retraining and redeployment programmes are in effect and how well do they operate? <ul style="list-style-type: none"> a. Are the programmes government-run, operated privately or a hybrid? Does the corresponding government agency provide a valuable service not already available elsewhere? b. How easily accessible are the programmes? Do people know about and actually use the services provided? c. What role do the business community and labour organisations play in ensuring the programmes are responsive to their needs, for example, by advising on the types of training most in demand or providing information on job availability? • What types of financial assistance are mandated through labour and social security laws and regulations? Do the laws and regulations: <ul style="list-style-type: none"> a. Provide a meaningful cushion to those negatively affected by labour adjustments? b. Balance interests of business and labour by providing protection that is both effective and not overly burdensome? c. Are the laws and regulations effectively enforced? • What role do businesses play in facilitating the transition process in labour adjustments? How do businesses cooperate with both labour and government? What mechanisms encourage businesses to: <ul style="list-style-type: none"> a. Communicate regularly with labour to keep employees informed of the state of company affairs; b. Consult labour early on to address financial difficulties that may result in layoffs; c. Keep government entities abreast of projected large-scale firings so the government can mobilise to provide needed assistance.

	<ul style="list-style-type: none"> • Are there any mandatory notice requirements for layoffs of a certain size and does this approach effectively meet the goal of assisting labour while not excessively burdening management, since overregulation can discourage investment?
Labour mobility and migration	<ul style="list-style-type: none"> • Are migration policies aligned with the needs to address skills shortages in the economy? • Are safeguards to protect the domestic labour market and promote skill development locally proportionate and fairly applied? • Do laws and regulations allow the deployment of workers from an enterprise investing in the host country? If there are restrictions, are they transparent and related to safeguarding the local labour market? • Do personnel deployed by investing enterprises benefit from speedy visa issuance or other favourable conditions? What steps have been taken to unwind unduly restrictive practices? (See the chapter on investment policy) • Are workers with needed skills allowed or encouraged to migrate to the country for work purposes? • What measures exist to ensure the full benefit of a countries' investment in its own human resources accrues, including the attraction of nationals who have completed their studies abroad?
Flexibility and efficiency of labour market regulations	<ul style="list-style-type: none"> • How does the government ensure and maintain flexibility and efficiency of its labour laws and regulations? • How efficient easily intelligible are the economic dismissal laws and regulations? • Must employers consult or obtain prior approval from government or other bodies (e.g., labour inspectors, courts, union representatives)? Are employers required to respect certain priority rules for dismissal? • How many steps are involved in laying off employees for economic reasons and can any be removed? • What is the likelihood of ending up in court over a dispute? • Regarding flexicurity protections, has the country, within its means, successfully implemented laws, regulations and other programmes that provide income support and redeployment services to the unemployed, while reducing legislative and regulatory barriers to personnel restructuring? • What types of support measures exist (e.g., direct financial support to the unemployed or other forms of unemployment insurance, severance pay from employers)? • Regarding flexible work schedules, what laws and regulations govern work schedules, including work-hour limitations and fixed-term and part-time work contracts? Do tax and social security regulations discriminate against part-time work or flexible work arrangements? • What measures are in place to ensure that the interests of any relevant stakeholders are not neglected or under-represented through the current laws and regulations?

ADDITIONAL RESOURCES

Websites

www.oecd.org/edu/oecdskillsstrategy.htm

www.oecd.org/edu/imhe

www.oecd.org/pisa

www.oecd.org/site/piaac

www.oecd.org/gender

www.oecd.org/migration/diasporas.htm

Tools, Guidance, Manuals

Policy brief on youth entrepreneurship,

www.oecd.org/employment/leed/Youth%20entrepreneurship%20policy%20brief%20EN_FINAL.pdf

Harnessing the skills of migrants and diaspora to foster development: policy options,
http://www.oecd.org/migration/Policy_Brief_Migrants_En_BD%20DEFINITIF.pdf

Brezzi, M. and Piacentini, M. (2010), “Labour Mobility and Development Dynamics in OECD Regions”

Stone, S. et al. (2013), “Trade and Labour Market Adjustment”, OECD Trade Policy Papers

OECD (2012) Free Movement of Workers and Labour Market Adjustment: Recent Experiences from OECD Countries and the European Union

OECD (2013) ‘Recommendation of the Council on Gender Equality in Education, Employment and Entrepreneurship’